

## Offer Summary as Presented in Iowa Network Services Response to ICN RFP 13-006 (Base Version)

Iowa Network Services (Offeror) responded to the RFP for the sale or lease of the ICN with a cash offer of **\$12.7 million**. The Offeror states that it will increase its proposed bid price to **\$16.1 million** if it is successful in securing waivers for Right-of-Way (ROW) fees that it would be assessed that the ICN is not currently paying. The Offeror is requesting the State of Iowa waive ROW fees for the ICN fiber routes for a period of five (5) years.

## Strengths, Weaknesses, Opportunities and Threats Evaluation of Terms of Offeror Bid

### Strengths

1. The Offeror is an unquestionably qualified buyer. Both financially and technically, the Offeror possesses a proven track record of financial success, substantial financial resources, and the technical and business expertise and experience needed to sustainably maintain and operate the ICN.
2. The Offeror is a qualified “common carrier” as defined by the Federal Communications Commission under title II of the Communications Act of 1934 and licensed to do business in Iowa.
3. The Offeror provides products and services that compliment and are commensurate with those currently provided by the ICN. This positions the Offeror to quickly and effectively take control of operations of the ICN.
4. The Offeror is experienced with mergers and acquisitions potentially providing for a smooth transition and privatization process.
5. The ICN is often required to work closely with local exchange carriers in Iowa in the course of doing business. The Offeror has a long and close relationship with these entities.
6. The Offeror has a qualified and long term management team.
7. The Offeror is an Iowa based business dedicated to Iowans. Transfer of the ICN to the Offeror would keep Iowa dollars in Iowa.

### Weaknesses

1. The Offeror’s financial offerings of \$12.7 million - or \$16.1 million if rights of way fees are waived - are substantially less than the amount spent on capital improvement to the ICN network over the last three years. The network upgrade funded under the federal government’s Broadband Technology Opportunities Program (BTOP) alone amounted to more than \$25 million.
2. The value of the ICN network today can be approximated by the cost of construction of a similar middle mile network in North Carolina by MCNC. Since 2009, MCNC has received \$28 million in BTOP Round One and \$76 million in BTOP Round 2 which, with matching funds, totaled more than \$149 million toward the construction of a middle mile network designed to serve both rural and urban community anchor institutions in that state.<sup>1</sup> The \$149 million figure represents federal and matching funds only and represents less than the actual cost of the network. It can be assumed Iowa would experience commensurate costs were the need to build a similar middle mile network to arise in the future.
3. The Offeror assumes as part of its proposal that the ICN will incur \$36.1 million in operating losses over the next five years. This is an inaccurate assumption. Being a state enterprise fund, the ICN reports appropriations and federal grants as non-operating revenue. However, the ICN relies on this revenue to provide resources to upgrade and update its infrastructure. According to GAAP, ICN then reports the depreciation of this equipment and non-capital equipment as an operating expense. Reporting a \$36.1 million operating loss is not correct as the expenses and revenues are not being matched properly. A public or for-profit company would build the cost of equipment replacement into their product rates, thus recovering their depreciation expense as an operating revenue, not as a non-operating revenue. The ICN does not factor in depreciation in setting rates thus the ICN keeps rates down to enable its customers to save money. A better representation of the ICN’s finances would be the cash from operations report produced monthly and yearly. This report does not factor in either revenue or expenses from appropriations or federal

<sup>1</sup> <http://ncbroadband.gov/nc-recovery-projects>

grants. As a result, this report shows positive net cash from operations year over year and an increase in cash balance for the last several years. The ICN does receive an appropriation (approximately \$2.2 million for FY14) for Capitol Complex and State agency communications and for the State's required investment for purposes of qualifying for federal e-rate funds for educational and library users. Funding (approximately \$1.2 million) will still be required to cover costs associated with Capitol Complex and state agency communications. The remaining approximate \$1.0 million is currently used to provide lower rates to educational and library users.

4. As the basis of its financial offering, the Offeror proposes to increase its \$12.7 million bid to \$16.1 million in exchange for waivers to rights-of-way fees (p.2). This appears to be a violation of 2011 Iowa Acts, Chapter 122, Section 8 as amended by 2011 Iowa Acts, Chapter 127, Section 55 which states: "Public funds shall not be used to secure the purchase of the network."
5. The Offeror's calculation of the cost of right-of-way fees is significantly less than the amount estimated by ICN staff.

### **Opportunities**

1. Current law requires that ICN services will remain restricted to authorized users as defined under Iowa Code chapter 8D, and implemented pursuant to 751 IAC 7.1. The sale of the ICN would end this restriction opening the network to underserved users in the private sector and extend the benefits of the ICN to many more Iowans.
2. The Offeror proposes to implement a training program to reach out to current video customers (primarily teachers) to educate them on utilizing the video system.

### **Threats**

1. Controlled access networks enhance security and reduce the threat of cyber-attacks, provide privacy for sensitive operations, provide an "option demand" for access during emergencies, reduce risk associated with network congestion and support public safety operations. These capabilities will be lost or diminished with the sale.
2. Users requiring controlled access networks, such as the Iowa National Guard, will be required to build new network connectivity or invest heavily in encryption systems.
3. The loss of controlled access network will potentially negatively affect the cybersecurity operations of the new 132nd Attack Wing of the Iowa Air National Guard.
4. Local, state and federal governments are in the process of building FirstNet, a public safety, controlled access network. Loss of controlled access network will threaten FirstNet viability by eliminating the utilization of a public owned, controlled access network.
5. The sale of the ICN for less than market value will potentially impact the market for telecommunications carriers in Iowa. A sale could result in the devaluation of other similar carrier assets. This could negatively impact tax revenues from these entities.
6. The recruitment and employment of an ICN director and participant in all RFP Implementation Team meetings by the Offeror represents a threat to the project. Other qualified entities who oppose the sale of the ICN to the Offeror could potentially raise the issue late in the process and as the reason for their non-participation. This eventuality would greatly complicate and potentially endanger the completion of the transaction after substantial time and financial resources have been expended.
7. The ICN offers state agencies extensive and comprehensive accounting and financial services that significantly exceed the capabilities of most private sector billing systems. It is unclear if the Offeror's billing system will provide the government accounting features and functionality on which state agencies depend. If these capabilities are not replicated, agencies may incur additional costs (either through employee time or additional staff hires) in meeting their internal accounting requirements.
8. A waiver to right-of-way fees may result in other carriers in the state who pay the fees to claim that the Offeror enjoys an unfair competitive advantage and demand similar benefits.

### **Other Notes**

1. On May 13, the Iowa General Assembly passed SF 396. On May 23, after the due diligence period of the sale or lease process ended, SF 396 was signed into law. The law effectively establishes the office of the Chief Information Officer (CIO) as the sole provider of network services to executive branch agencies. On pages 62-63, the offeror states: "If

the data from the Capitol Complex does not remain with the acquirer, the INS Bid Offer will be adjusted to account for lost revenue and estimated cost to provide the service.” It is unclear at this time what legal and/or financial effect, if any, SF 396 will have on the transfer of Capitol Complex (and other state agency) data services.

2. The acquisition of the ICN by the Offeror would represent a significant increase in its total fiber plant in the state. It would represent more than a 4X increase in owned or leased fiber plant in the state.

The Iowa Communications Network Total Owned or Leased Fiber Plant: 8,661 miles of Fiber in Iowa

Iowa Network Services Total Owned or Leased Fiber Plant: 3,180 miles of Fiber in Iowa

### Scoring Compliance with the General Definitions, Assumptions and Objectives as Defined in Section IV.A of the RFP

	General definitions, assumptions and objectives	Response Type	Acceptable/ Unacceptable
1	All Offerors will be required to meet pre-qualification requirements stated in the bid process. <i>Offeror must affirmatively confirm understanding and agreement with this Objective.</i>	Affirmative answer, no detail required	Acceptable (Page 15)
2	To protect any proprietary information all potential Offerors will be required to enter a Non Disclosure Agreement to the extent allowable by Iowa law. <i>Offeror must affirmatively confirm and comply with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 15)
3	To protect proprietary information the ICN shall enter into a Non Disclosure Agreement with all bid respondents to the extent allowable by Iowa law. <i>Offeror will affirmatively confirm and comply.</i>	Affirmative answer, no detail required	Acceptable (Page 15)
4	All assets, contracts, colocations, and ROW listed in the RFP will be documented by the ICN <i>without independent audit</i> . Buyer / seller verifications and independent audits, as deemed necessary will occur post offer as a component of contract finalization. <i>Offeror must affirmatively confirm understanding and agreement with this Objective.</i>	Affirmative answer, no detail required	Acceptable (Page 15)
5	Any buyer or lessee of the ICN must continue to provide all products in use as of bid closing at a “lower overall long-term cost” as required by the legislation. <i>Offeror must affirmatively confirm understanding and agreement with this Objective.</i>	Affirmative answer, no detail required	<b>Conditionally Acceptable<sup>2</sup></b> (Page 16)
6	Authorized users will consist of all entities falling under the current statutory definition irrespective of if those authorized users are current active customers of the ICN. An authorized user definition will be identified in the RFP. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 16)

<sup>2</sup> Offeror acknowledges and agrees to condition but provides a caveat (p.16, subsection e) to the condition by stating that it will, at its discretion, discontinue products based on “economic and technology trends”. If products are discontinued but not replaced, Offeror caveat may violate terms of the condition.

7	The period of time that “lower overall long-term cost” must be maintained will be five years from the effective date of the sale/lease for all currently provided services, with the exception of the Capitol Complex telephone system, which is not part of this RFP. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Conditionally Acceptable <sup>3</sup> (Page 16)
8	“Lower overall long-term cost” will be defined in the RFP as 1% or lower than the current product cost as identified in the price list stated in the RFP. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 16-17)
9	“Lower overall long-term cost” must also include the annualized maintenance cost as incurred by the State of Iowa through Infrastructure Appropriations averaged over the last three-year period less the amount of dollars used for the one-time expense of upgrading the Capitol Complex telephone system. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 17)
10	The ICN has current service standards agreed to with both government and non-government users of the network. The buyer / lessee must continue to meet the same level of response and service restoration timeframes stated in these agreements. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 17)
11	The management of the Capitol Complex Phone system and all connected devices will remain within the administrative function of the State of Iowa. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 17)
12	The buyer / lessee will receive all new and existing operational revenue generated by users from the effective date of sale/lease. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 17)
13	The buyer / lessee may turn off service due to nonpayment. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 18)
14	For the purposes of RFP documentation all information will be listed with an “effective as of” date as close as is practical to RFP release. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 18)
15	The RFP process will be run in parallel to the normal course of business at the ICN. No changes to current day-to-day business or future business planning will occur as a function of the ongoing RFP for sale or lease of the network. <i>Offeror must affirmatively confirm understanding and agreement with this Objective.</i>	Affirmative answer, no detail required	Acceptable (Page 18)
16	The ICN is currently engaged in the support of the FCC RHCPP and is directly involved in an ARRA project (BTOP). Any buyer / lessee of the ICN must comply with all requirements of these federal programs as stated in the RFP. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Conditionally Acceptable <sup>4</sup> (Page 18)

<sup>3</sup> Offeror considers increasing bandwidth to customers without commensurate rate increases to be an effective rate reduction.  
(p. 16, subsection g)

<sup>4</sup> Offeror will be required to consult with and agree to terms of transfer with federal agencies.

17	A guaranteed amount of capacity must be maintained for public safety in all cases. Offerors will provide an explanation as to how this will be accomplished. <i>Offeror will affirmatively confirm and provide a description of the Offeror's plan to maintain guaranteed amount of bandwidth for public safety purposes.</i>	Detailed response required	Conditionally Acceptable <sup>5</sup> (Page 18-19)
18	If the United States Department of Defense requires that the ICN hub be moved from the Joint Forces Headquarters (JFHQ) facility, the expense of this relocation shall be incurred by the buyer/lessee. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Acceptable (Page 19)
19	The ICN currently utilizes and has access to non-tangible assets such as the I3 billing and procurement system of the State of Iowa, Department of Administrative Services. The replication of the functions these systems provide shall be at the buyer/lessee's expense. <i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i>	Affirmative answer, no detail required	Conditionally Acceptable <sup>6</sup> (Page 19)
20	Any buyer/lessee of the ICN must be approved by the National Telecommunications and Information Administration to assume the responsibilities related to the ARRA BTOP grant. <i>Offeror must affirmatively confirm and demonstrate compliance with this Requirement.</i>	Detailed response required	Acceptable (Page 19)
21	The private, secure, and dedicated bandwidth of the ICN must remain in order for the network to provide primary and backup connectivity for the Statewide Interoperability as needed and determined by the Board. <i>Offeror will affirmatively confirm and provide a description of the Offeror's plan to provide primary and backup connectivity for the Statewide Interoperability.</i>	Detailed response required	Acceptable (Page 19-20)
22	Sale of the network will be the transfer of ownership of all physical assets listed in the RFP. 1. Fiber strand 2. Switches, optics and electronics 3. Other assets as stipulated in RFP <i>Offeror must affirmatively confirm understanding and agreement with this Objective.</i>	Affirmative answer, no detail required	Acceptable (Page 20)

<sup>5</sup> Offeror acknowledges and agrees to condition but does not define "minimum amount of capacity". Offeror has indicated it will consult with and negotiate definitions with the Iowa Department of Public Safety.

<sup>6</sup> Offeror acknowledges and agrees to condition, however, ICN currently accommodates the requests of various agencies regarding how they are billed and splitting costs among various funding accounts. It is unclear if the Offeror will be able to accommodate these requests. If not, agencies will incur additional costs (either through employee time or additional staff hires) in meeting their internal accounting requirements.

23	<p>Sale of the network will include the transfer of liability of all contracts related to the delivery of Offeror provided connections listed in the RFP (unless contracts stipulate they cannot be transferred).</p> <ol style="list-style-type: none"> <li>1. Maintenance contract with Windstream (or current network operator)</li> <li>2. Carrier circuit monthly billing</li> <li>3. Fiber IRU's</li> <li>4. Maintenance contracts of equipment</li> <li>5. Prepaid user circuits</li> <li>6. Local telephone company providers' part 3 circuits</li> <li>7. Other liabilities as stipulated in RFP</li> </ol> <p><i>Offeror must affirmatively confirm understanding and agreement with this Objective.</i></p>	Affirmative answer, no detail required	Conditionally Acceptable <sup>7</sup> (Page 20)
24	<p>The buyer will incur all operational expenses related to new (added) network components and maintenance from the date of sale closure forward.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i></p>	Affirmative answer, no detail required	Acceptable (Page 20-21)
25	<p>All Offerors responding to the RFP must be prepared to reach acceptable terms for collocation, power, secure space, etc. with all collocation space owners currently housing ICN equipment, circuits or fiber (only some of which may be State agencies). ICN assumes that if acceptable collocation terms cannot be reached with existing collocation space owners alternate space (and subsequent related costs associated with moving into new space) shall be at the buyer's expense.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i></p>	Affirmative answer, no detail required	Acceptable (Page 21)
26	<p>The buyer must demonstrate the ability to secure adequate collocation agreements in such a manner as to provide seamless delivery of existing services prior to closing.</p> <p><i>Offeror will affirmatively confirm and provide a description of the Offeror's plan to secure collocation agreements.</i></p>	Detailed response required	Acceptable (Page 21)
27	<p>In the event of a sale, ICN services will no longer be restricted to authorized users as defined under Iowa Code chapter 8D, and implemented pursuant to 751 IAC 7.1. Following a sale, the ICN would become an open network.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i></p>	Affirmative answer, no detail required	Acceptable (Page 21)
28	<p>A buyer of the ICN must have and maintain common carrier status as defined by the Telecommunications Act of 1996 and be qualified to provide services through E-Rate funding under the Universal Service Fund.</p> <p><i>Offeror must affirmatively confirm and demonstrate compliance with this Requirement.</i></p>	Detailed response required	Acceptable (Page 21-22)
29	<p>The ICN, as a State of Iowa agency, pays no property or income tax as a part of the operation of the network. The buyer of the network would pay both property and income taxes as defined in municipal, county, state, or federal code. A lessee would not be responsible for property taxes as the State of Iowa would maintain ownership. The lessee would, however, be responsible for all appropriate income taxes from revenues earned.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i></p>	Affirmative answer, no detail required	Acceptable (Page 22)

<sup>7</sup> Offeror acknowledges and agrees to condition with the recommendation that ICN only extend its maintenance contract on a month-to-month basis. This recommendation should be considered by the ICN, but is partially dependent on prospective maintenance contract vendor agreement and is, therefore, uncontrollable by the ICN.

30	<p>Lease of the network will be defined as the rental of all physical assets listed in the RFP. The State of Iowa will remain the owner of those physical assets. Under a lease, the State of Iowa will remain responsible for all contracts and expenses related to carrier circuits, fiber IRUs and network maintenance. The state will continue to incur all costs related to any contracts currently in place including all costs, related to collocation and Rights of Way (ROW) expense.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Objective.</i></p>	Affirmative answer, no detail required	N/A: Offeror does not propose to lease network. (Page 22)
31	<p>The initial term of a lease will be five years from contract closure with two five year renewals at the option of the State.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Objective.</i></p>	Affirmative answer, no detail required	N/A: Offeror does not propose to lease network. (Page 22)
32	<p>A CPI adjustment will be applied annually to all operational expenses related to underlying costs being maintained by the State of Iowa.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i></p>	Affirmative answer, no detail required	N/A: Offeror does not propose to lease network. (Page 22-23)
33	<p>Lessee must provide written notice 12 months in advance of intention to renew or not renew lease renewal option.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i></p>	Affirmative answer, no detail required	N/A: Offeror does not propose to lease network. (Page 23)
34	<p>A lease of the network assets will require the State of Iowa to maintain some of the personnel functions currently being performed by the ICN during the lease period. These costs would be reflected in the calculation of the lease payment by the lessor.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i></p>	Detailed response required	N/A: Offeror does not propose to lease network. (Page 23)
35	<p>The lessee will receive a Service Level Agreement (SLA) that clearly indicates which network functions will be maintained on an ongoing basis by the State of Iowa.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i></p>	Detailed response required	N/A: Offeror does not propose to lease network. (Page 23)
36	<p>In the event the ICN is leased, current law requires that ICN services will remain restricted to authorized users as defined under Iowa Code chapter 8D, and implemented pursuant to 751 IAC 7.1.</p> <p><i>Offeror must affirmatively confirm understanding and agreement with this Requirement.</i></p>	Detailed response required	N/A: Offeror does not propose to lease network. (Page 23)



Scoring Compliance with the Mandatory Requirements as Defined in the RFP

	Mandatory Requirements	Score
1	<p><b>Rate Stabilization.</b> The General Assembly of the State of Iowa has mandated that the terms of the sale of the ICN require any buyer to allow existing authorized users of the network to continue to receive services at lower overall long-term cost when compared to the anticipated operation and maintenance costs if state ownership and control were to continue. “Lower overall long-term cost” is defined as at least one percent (1%) lower than the current product cost as identified in the price list stated in Appendix F. Authorized Users includes all entities falling under the current statutory definition irrespective of whether or not those authorized users are current active customers of the ICN. The term of this requirement will be five years from the date of closing.</p> <p>The Offeror must define and commit to a plan to mitigate upward pressure on rates and to offer rates lower than currently exist for a period of five years.</p> <p>The Offeror will be subject to oversight by a state government assigned authority regarding terms of conformance with post-closing requirements of the privatization agreements relating to rate stabilization; the successful Offeror must submit to the oversight authority and file an annual audited report on such conformance for each of first five years following closing. Oversight provisions are pending and subject to legislative approval as part of the sale or lease approval legislation</p>	1: The offer meets, but does not materially exceed the Mandatory Requirement (Page 66 – Section 4.6, 70, 75 – Section 5.2)
2	<p><b>Service Standards.</b> The Offeror will define, agree to and demonstrate the viability of a plan to offer services levels at or above service standards as defined in Appendix G.</p> <p>The buyer will be subject to oversight by a state government assigned authority regarding terms of conformance with post-closing requirements of the privatization agreements relating to service standards and commit to the submission to the oversight authority of an annual audited report on such conformance for at least the first five years following closing.</p>	1: The offer meets, but does not materially exceed the Mandatory Requirement (Page 70-71, 73-74 – Section 5.1)
3	<p><b>Future Viability.</b> Offerors must demonstrate, individually or as an affiliated group (a) a proven track record of financial success over the past years, and (b) substantial gross annual sales and net assets so as to establish that the Offeror has the necessary resources and experience to support the long term management of the ICN (historic annual revenues which exceed ICN’s annual revenues over the past five years and net assets of at least \$100 million are preferred minimums).</p>	1: The offer meets, but does not materially exceed the Mandatory Requirement (Page 29-30 – Section 3.4.2, 67 – Section 4.7, page 71)
4	<p><b>Common Carrier Status.</b> Offerors must demonstrate they are licensed by the FCC as a common carrier in good standing, as defined by the Telecommunications Act of 1996 and be qualified to provide services through E-Rate funding under the Universal Service Fund.</p>	1: The offer meets, but does not materially exceed the Mandatory Requirement (Page 72)



## Scoring Compliance with the Proposal Requirements as Defined in Section VII of the RFP

	Offeror Qualifications	Response Type	Acceptable/ Unacceptable
1	<b>Disclosure Statement and Waiver.</b> Each Offeror, and in the case of a joint venture (whether or not in corporate form), each venture partner (or member or shareholder, as applicable), any Responsible Parent/Affiliate and, if the Offeror is an entity whose securities are not traded on a recognized national market in the U.S., or comparable market exchange outside of the U.S., any person or entity owning any percentage of the outstanding beneficial interests and/or voting securities in such Offeror, shall complete and submit a Disclosure Statement and Waiver form appearing at Appendix H.	Document Required	<b>Unacceptable<sup>8</sup></b> (Appendix H of RFP)
2	<b>Registrations and Reporting Requirements.</b> Each Offeror must obtain, prior to submission of its offer, required Federal Employer Identification Numbers (FEIN) and an Iowa Business Tax Registration as provided by the Iowa Department of Revenue.	Proof Required	Acceptable (Page 26 - Section 3.2)
3	<b>Other Corporate Information.</b> Proposals should include detailed information describing the Offeror (or each member of a joint offer). This information should include, at a minimum:  a) recent (last three years) audited financial statements;  b) a description of the sources and extent of credit resources to be used to support the offer and operation of the ICN business;  c) a description of the Offeror's business, with particular emphasis on business activity and technical qualifications, experience and resources relevant to maintaining, operating and expanding a telecommunications business in Iowa;  d) a description of the Offeror's employee relations record over the past five years;  e) a description of the Offeror's qualifications with respect to FCC-granted licenses under the Communications Act of 1934, as amended, addressing at a minimum direct and indirect foreign ownership including ownership by foreign governments (Non-US entities may submit evidence of current U.S. common carrier authorizations as prima facie evidence of eligibility). Offeror should indicate if they believe an FCC waiver will be required for transfer of license and any potential CFIUS concerns; and  f) any other information about the Offeror that the Offeror would like the ICN to consider, including the corporate structure and ownership of Offeror.	Documents Required	Acceptable  (a) Appendix A (b) Page 29 - Section 3.4.1 (c) Page 28- Section 3.4 (d) Page 30 - Section 3.4.3 (e) Page 30- Section 3.4.4 (f) Page 33- Section 3.5

<sup>8</sup> Offeror failed to disclose its recruitment and employment of a former executive level employee of the ICN as is required in the disclosure document as included in Appendix H of the Request for Proposals for the Sale or Lease of the ICN.

4	<p><b>Financial Proposal.</b> The Offeror's financial proposal should include, at a minimum:</p> <ol style="list-style-type: none"> <li>1. a specification of the Purchase Price as required under Section V.B.1. Any offer that does not include assumption of all such debt and liability must include an offer of a cash amount which at least equals or exceeds the Minimum Cash Consideration by the value of the debt and/or liabilities not assumed. The Purchase Price must also include an amount of cash paid at closing equal to or greater than at least fifty percent (50%) of the Minimum Cash Consideration.</li> <li>2. a description of the Offeror's plan to develop the ICN's business and its commitment to the people of Iowa, such as new product lines, business expansion, technological innovation and estimated capital expenditure over a five year period. Offerors should note that an objective of the ICN privatization is to not only to maintain ICN's business, but that such business be expanded in terms of range of technologies and services offered, employment opportunities created and geographic scope of markets served.</li> <li>3. a description of the Offerors plan to comply with the listed statements contained in Section IV.A entitled "Definitions, Assumptions and Objectives." Each Offeror must submit a compliance statement and description of the Offeror's plans for meeting the requirements of the RFP.</li> <li>4. All proposals must remain valid and in effect for a period of twelve (12) months from submission date.</li> </ol>	Detailed Response Required	<b>Conditionally Acceptable<sup>9</sup></b> (Page 55 - Section 4)
5	<p><b>Rate and Service Plans.</b> Each proposal should contain a description of how the Offeror plans, for the first five years after privatization, to: (a) contain or mitigate upward pressure on rates; (b) improve service performance levels and conform to the minimum objective service standards as set forth in Appendix G ; and (c) otherwise comply with the requirements of this RFP.</p> <p>Offeror should describe any plans for enterprise improvement including infrastructure enhancements and new product offerings.</p> <p>Each Offeror should provide its plans and commitments to implement expansion of the current ICN in the areas addressed by this RFP. These plans should be of sufficient detail to provide a clear understanding of the result and the Offeror's commitment to the project.</p>	Detailed Response Required	Acceptable (Page 73 - Section 5)
6	<p><b>Confidentiality.</b> The Offeror's proposal should include two executed original copies of the Confidentiality Agreement included in Appendix I. For joint proposals, both the offering entity and each affiliate should submit two executed original copies of the Confidentiality Agreement.</p>	Document Required	Acceptable (Appendix I)

<sup>9</sup> As the basis of its alternative financial offering, the Offeror proposes to increase its \$12.7 million bid to \$16.1 million in exchange for waivers to rights-of-way fees (p.2). This appears to be a violation of 2011 Iowa Acts, Chapter 122, Section 8 as amended by 2011 Iowa Acts, Chapter 127, Section 55 which states: "Public funds shall not be used to secure the purchase of the network." This would, therefore, invalidate the alternative financial offering of \$16.1 million.